

**REPORT OF THE AUDIT OF THE
CARLISLE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2004**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE
CARLISLE COUNTY FISCAL COURT

June 30, 2004

The Auditor of Public Accounts has completed the audit of the Carlisle County Fiscal Court for fiscal year ended June 30, 2004. We have issued unqualified opinions, based on our audit, on the governmental activities, each major fund, and aggregate remaining fund financial statements of Carlisle County, Kentucky.

Financial Condition:

The county had total net assets of \$2,757,466 as of June 30, 2004. The fiscal court had unrestricted net assets of \$851,463 in its governmental activities as of June 30, 2004, with a total net asset balance of \$2,757,466. Total debt principal as of June 30, 2004, was \$10,000 with \$10,000 due within the next year.

Deposits:

The County's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable John Roberts, Carlisle County Judge/Executive
Members of the Carlisle County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carlisle County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Carlisle County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Carlisle County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Carlisle County, Kentucky, as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has implemented Governmental Accounting Standards Board Statements 33, 34, and 37 as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.



To the People of Kentucky
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The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carlisle County, Kentucky's basic financial statements. The accompanying supplementary information and combining fund financial statements are presented for additional analysis and are not a required part of the basic financial statements. The accompanying supplementary information and the combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2004 on our consideration of Carlisle County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
December 6, 2004

CARLISLE COUNTY OFFICIALS

For The Year Ended June 30, 2004

Fiscal Court Members:

John Roberts	County Judge/Executive
Burley Mathis	Magistrate
James McPherson	Magistrate
Lloyd Presson	Magistrate

Other Elected Officials:

Michael Hogancamp	County Attorney
Rocky James	Jailer
Theresa Owens	County Clerk
Kevin Hoskins	Circuit Court Clerk
Steve McChristian	Sheriff
Larry Scott	Property Valuation Administrator
Wayne Floyd	Coroner

Appointed Personnel:

Nancy Dishmon	County Treasurer
Gail Teasley	Finance Officer

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Carlisle County Fiscal Court

John Roberts, Co. Judge Executive

PO Box 279
Bardwell, KY 42023
(270) 628-5451
fax: (270) 628-0190
jroberts@wk.net

Burley Mathis, Magistrate

Jim McPherson, Magistrate

Lloyd Presson, Magistrate

CARLISLE COUNTY FISCAL COURT MANAGEMENT'S DISCUSSION AND ANALYSIS

Carlisle County, Kentucky offers readers of these financial statements a narrative overview and analysis of the financial activities of Carlisle County for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented herein in conjunction with other information furnished in the letter of transmission and the notes to the financial statements.

Financial Highlights

- Current Assets (Cash/Cash Equivalents) was \$851,463 as of June 30, 2004
- Capital Assets (net of accumulated depreciation) was \$1,916,003 as of June 30, 2004
- Net Assets was \$2,757,466 as of June 30, 2004
- Total debt principal outstanding as of June 30, 2004 was \$10,000

Overview of the Financial Statements

The Management's Discussion and Analysis section is intended to serve as an introduction to the County's basic financial statements, which consists of the two government-wide financial statements, the various fund financial statements, the notes to the financial statements, and other supplemental information. The County's Financial Statements are made up of the following:

- **Government-Wide Financial Statements.** The government-wide financial statements consist of a statement of net assets and a statement of activities. These two statements provide information about the activities of the County "as a whole" and present current and long-term assets and liabilities (statement of net assets) and revenue and expenses (statement of activities). The statement of net assets is designed to help the reader determine whether the County's financial position is improving or deteriorating from year to year. The statement of activities is designed to help the reader determine the amount by which net assets changed from the prior year and possibly why the change occurred.
- **Fund Financial Statements.** The fund financial statements focus on the individual funds of the County's government. These fund financial statements report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds.
 - Governmental funds are used to report most of the County's basic services. These funds focus on the revenues coming in and expenditures going out on a modified cash basis. These funds provide a short-term view of the County's operations. The County currently has four major governmental funds, (General Fund, Road Fund, Ambulance Fund, and Industrial Development Fund) with the remaining funds classified as nonmajor (Jail, LGEA, 911, DES and Federal Housing Fund). The County adopts a budget for each of these governmental funds except the Industrial Development Authority because it is not required to be budgeted.

Carlisle County
Management's Discussion and Analysis
June 30, 2004
(Continued)

- Proprietary funds are used to report operations the County treats as business-type activities. The focus is to earn a profit or at least break-even. The County currently does not have any proprietary funds.
- Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for another group or individual. Activities from these types of funds are not included in the government-wide financial statements because the County cannot use the assets from the funds in daily operations. The County currently does not have any fiduciary funds.
- **Notes to the Financial Statements.** The notes to the financial statements provide expanded explanation about the government-wide and fund financial statements and are essential to the reader in obtaining a better understanding of the information provided within the financial statements.
- **Required Supplementary Information.** The budgetary comparison schedule for the general fund and other special revenue funds deemed “major” provide information that supplements the government-wide and fund financial statements.
- **Supplementary Information.** The combining schedules provide information about the nonmajor funds of the County.

Carlisle County reports all financial information on the modified cash basis of accounting. Under this basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense in the government-wide statement of activities. Furthermore, certain assets such as accounts receivable and certain liabilities such as accounts payable are not recorded in the financial statements. Readers should consider the limitations of this basis of accounting when reviewing the financial statements.

Financial Analysis of the County “as a whole”

The financial information of the County “as a whole” is reported in the two government-wide financial statements. The government-wide financial statements include all activities for which the County is fiscally responsible. These activities, which make up the reporting entity, are the activities of the governmental funds and one blended component unit—Industrial Development Authority; which is also included in the financial statements as a governmental fund. One question to ask is whether the County is in better financial shape than last year. The two government-wide financial statements will help answer the question. The following sections provide condensed financial information derived from the two government-wide financial statements.

Carlisle County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Statement of Net Assets				
	Governmental Activities		Total Government	
	2003	2004	2003	2004
Assets				
Current assets	\$864,487	\$851,463	\$864,487	\$851,463
Non-current assets	\$1,438,733	\$1,916,003	\$1,438,733	\$1,916,003
Total Assets	\$2,303,220	\$2,767,466	\$2,303,220	\$2,767,466
Liabilities	\$5,000	\$10,000	\$5,000	\$10,000
Non-current liabilities	\$5,000		\$5,000	
Total Liabilities	\$10,000	\$10,000	\$10,000	\$10,000
Net Assets				
Invested in capital assets, net of related debt	\$1,428,733	\$1,906,003	\$1,428,733	\$1,906,003
Unrestricted	\$864,487	\$851,463	\$864,487	\$851,463
Total Net Assets	\$2,293,220	\$2,757,466	\$2,293,220	\$2,757,466

At June 30, 2004, the majority of the County's net assets (69%) were invested in capital assets (land, buildings, infrastructure, etc.). Unrestricted net assets represent cash available in all funds as of June 30, 2004.

Changes in Net Assets

Governmental Activities - Net Assets increased by \$464,246 in fiscal year 2004. Key elements of this are as follows:

- Current year capital assets totaled \$477,270 (net of depreciation).
- Cash/cash equivalents decreased by \$13,024.

In accordance with Governmental Accounting Standards Board (GASB) Statement #34, the County is required to include certain comparison schedules when information is available. The schedules include comparison of prior and current year general revenues by major source, and program expenses by function. Since this is the year of implementation, the County is not required to restate prior periods for the purpose of providing comparative information. In future years, when prior year information is available, a comparative analysis of government-wide information will be presented.

**Carlisle County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Financial Analysis of the County's Funds

The Fund financial statements are reported by major funds and aggregate non-major funds. The County has four major governmental funds, and five non-major governmental funds. The County's governmental funds reflect a combined ending fund balance of \$851,463.

- 1) The general fund's ending unreserved fund balance was \$59,755, which is available for spending on day-to-day operations and \$58 reserved for outstanding encumbrances. This is an increase of \$20,379 from prior year.
- 2) The road fund's ending fund balance was \$335,402. During the fiscal year 2004, the County received \$270,861 from the Federal Emergency Management Agency due to expenses relating to flood damage.
- 3) The ambulance fund's ending unreserved fund balance was \$159,291, which is available for spending on day-to-day operations of the ambulance service and \$118 reserved for outstanding encumbrances.
- 4) The industrial development authority fund's ending fund balance was \$258,183.
- 5) The non-major funds' combined ending fund balances were \$38,656. The County's non-major funds include the Jail Fund, LGEA Fund, DES Fund, E-911 Fund and the Federal Housing Fund. The Jail Fund had an ending fund balance of \$1,302. The LGEA fund had an ending fund balance of \$476. The DES fund had an ending fund balance of \$23,570. The E-911 fund had an ending fund balance of \$13,308. The Federal Housing Fund had an ending fund balance of \$0; this project was completed in April 2004.

Budgetary Highlights

The county amended the original budget by \$471,914 to reflect increases in taxes, federal receipts, and other miscellaneous revenues. Various expenditures were increased by a total of \$471,914 as well. Also, throughout the year, the County made various line item transfers within the budget to increase certain line items while subsequently decreasing other line items. These types of transactions have no effect on the budget's bottom line. Throughout the year, expenditures were on target with the budget and within the limits of revenue coming into the County.

The State Local Finance Officer does not require the Industrial Development Authority to be budgeted.

Capital Assets

The County's investment in capital assets (less accumulated depreciation) for its governmental funds as of June 30, 2004 was \$1,916,003. This investment in capital assets includes land and land improvements, buildings, vehicles and equipment, and current infrastructure addition.

Major capital asset events during the 2004 fiscal year included

- Road improvement cost (Infrastructure) of \$427,502 mainly due to flood damage. These costs will be depreciated over the useful life of the asset.

**Carlisle County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Capital Assets (Continued)

- Purchases of a new ambulance for \$77,861 and a new road department vehicle for \$34,383. These costs will be depreciated over the useful life of the asset.
- Construction cost of \$15,094 for a storage facility at the road department. These costs will be depreciated over the useful life of the asset.
- Land improvements cost of \$18,375 for landscaping at the Courthouse and a walking trail at the County Park.

Carlisle County's Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Total Government	
	2003	2004	2003	2004
Infrastructure	\$	\$405,920	\$	\$405,920
Land	\$62,540	\$80,915	\$62,540	\$80,915
Buildings	\$874,541	\$875,133	\$874,541	\$875,133
Vehicles & Equip.	\$501,652	\$554,035	\$501,652	\$554,035
Total Capital Assets	\$1,438,733	\$1,916,003	\$1,438,733	\$1,916,003

Debt

Short-Term Debt - For the fiscal year 2004, the County participated in the Kentucky Association of Counties Advance Revenue Program (KARP). Under the KARP program, the County invested \$46,300 for the General Fund and \$99,900 for the Road Fund. The General Fund earned interest of \$309 and incurred interest expense of \$296. The Road Fund earned interest of \$667 and incurred interest expense of \$638. All principal and interest amounts associated with this program have been paid.

Long-Term Debt - At the end of the 2004 fiscal year, the County had total debt principal outstanding of \$10,000 due within one year related to the purchase of land for the industrial development authority.

Other Matters

While establishing the budget for fiscal year 2004-2005, the County considered many factors including the economy and mandated appropriations, both funded and unfunded. The County knows of no new taxes or new programs, which will affect the future.

Request for Information

This report is designed to provide a general overview of the County's financial condition for all interested citizens. Questions concerning any of the information contained in this report may be directed to John Roberts, County Judge/Executive, Carlisle County, P.O. Box 279, Bardwell, KY 42023.

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CARLISLE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

CARLISLE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 851,463
Total Current Assets	<u>\$ 851,463</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	\$ 80,915
Buildings	875,133
Vehicles and Equipment	554,035
Infrastructure Assets - Net of Depreciation	<u>405,920</u>
Total Noncurrent Assets	<u>1,916,003</u>
Total Assets	<u>\$ 2,767,466</u>
LIABILITIES	
Noncurrent Liabilities:	
Due Within One Year	\$ 10,000
Due In More Than One Year	
Total Noncurrent Liabilities	<u>\$ 10,000</u>
Total Liabilities	<u>\$ 10,000</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	\$ 1,906,003
Unrestricted	851,463
Total Net Assets	<u>\$ 2,757,466</u>

The accompanying notes are an integral part of the financial statements.

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CARLISLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004

CARLISLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 525,231	\$ 1,705	\$ 43,207	\$
Protection to Persons and Property	414,072	114,174	108,236	24,709
General Health and Sanitation	1,713			
Recreation and Culture	6,862			
Roads	177,545		799,926	314,199
Interest on Long-term Debt	934			
Capital Projects	349,272			29,738
Total Governmental Activities	\$ 1,475,629	\$ 115,879	\$ 951,369	\$ 368,646
Total Government	\$ 1,475,629	\$ 115,879	\$ 951,369	\$ 368,646

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Other Taxes
Excess Fees
Legal Process
Miscellaneous Revenues
Interest Received

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

CARLISLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

(Expenses) Revenues Net
and Changes in New Assets

Governmental Activities	Totals
\$ (480,319)	\$ (480,319)
(166,953)	(166,953)
(1,713)	(1,713)
(6,862)	(6,862)
936,580	936,580
(934)	(934)
(319,534)	(319,534)
<u>\$ (39,735)</u>	<u>\$ (39,735)</u>
<u>\$ (39,735)</u>	<u>\$ (39,735)</u>
\$ 219,875	\$ 219,875
28,710	28,710
51,378	51,378
133,304	133,304
5,590	5,590
30	30
47,617	47,617
17,477	17,477
<u>\$ 503,981</u>	<u>\$ 503,981</u>
464,246	464,246
2,293,220	2,293,220
<u>\$ 2,757,466</u>	<u>\$ 2,757,466</u>

The accompanying notes are an integral part of the financial statements.

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CARLISLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

CARLISLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

	<u>General Fund</u>	<u>Road Fund</u>	<u>Ambulance Fund</u>	<u>Industrial Development Fund</u>
ASSETS				
Cash and Cash Equivalents	\$ 59,813	\$ 335,402	\$ 159,409	\$ 258,183
Total Assets	<u>\$ 59,813</u>	<u>\$ 335,402</u>	<u>\$ 159,409</u>	<u>\$ 258,183</u>
 FUND BALANCES				
Reserved for:				
Encumbrances	\$ 58	\$	\$ 118	\$
Unreserved:				
General Fund Type	59,755			
Special Revenue Fund Types	<u> </u>	<u>335,402</u>	<u>159,291</u>	<u>258,183</u>
Total Fund Balances	<u>\$ 59,813</u>	<u>\$ 335,402</u>	<u>\$ 159,409</u>	<u>\$ 258,183</u>

The accompanying notes are an integral part of the financial statements.

CARLISLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2004
(Continued)

Non- Major Funds	Total Governmental Funds
\$ 38,656	\$ 851,463
<u>\$ 38,656</u>	<u>\$ 851,463</u>

\$	\$ 176
	59,755
<u>38,656</u>	<u>791,532</u>
<u>\$ 38,656</u>	<u>\$ 851,463</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 851,463
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	2,653,855
Accumulated Depreciation	(737,852)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Due Within One Year - Financing Obligation	<u>(10,000)</u>
Net Assets Of Governmental Activities	<u>\$ 2,757,466</u>

The accompanying notes are an integral part of the financial statements.

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CARLISLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

CARLISLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>General Fund</u>	<u>Road Fund</u>	<u>Ambulance Fund</u>
REVENUES			
Taxes	\$ 233,767	\$	\$ 99,034
In Lieu Tax Payments	14,227		
Excess Fees	5,590		
Licenses and Permits	1,665	40	
Intergovernmental	67,551	1,114,125	11,133
Charges for Services			113,383
Miscellaneous	10,068	23,701	7,240
Interest	769	8,262	3,167
Total Revenues	<u>333,637</u>	<u>1,146,128</u>	<u>233,957</u>
EXPENDITURES			
General Government	348,683	10,800	
Protection to Persons and Property	588		216,660
General Health and Sanitation			
Recreation and Culture	1,531		
Roads		621,312	
Debt Service	296	638	
Capital Projects		252,000	
Administration	86,715	50,161	5,294
Total Expenditures	<u>437,813</u>	<u>934,911</u>	<u>221,954</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(104,176)</u>	<u>211,217</u>	<u>12,003</u>
Other Financing Sources (Uses)			
Transfers From Other Funds	193,955		
Transfers To Other Funds	(69,400)	(203,955)	(10,000)
Total Other Financing Sources (Uses)	<u>124,555</u>	<u>(203,955)</u>	<u>(10,000)</u>
Net Change in Fund Balances	20,379	7,262	2,003
Fund Balances - Beginning (Restated)	39,434	328,140	157,406
Fund Balances - Ending	<u>\$ 59,813</u>	<u>\$ 335,402</u>	<u>\$ 159,409</u>

The accompanying notes are an integral part of the financial statements.

CARLISLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Industrial Development Fund	Non- Major Funds	Total Governmental Funds
\$	\$ 86,239	\$ 419,040
		14,227
		5,590
		1,705
	128,027	1,320,836
		113,383
	6,608	47,617
5,175	104	17,477
<u>5,175</u>	<u>220,978</u>	<u>1,939,875</u>
	4,260	363,743
	233,987	451,235
	1,713	1,713
	3,280	4,811
		621,312
		934
	97,272	349,272
600	17,109	159,879
<u>600</u>	<u>357,621</u>	<u>1,952,899</u>
<u>4,575</u>	<u>(136,643)</u>	<u>(13,024)</u>
	89,400	283,355
		(283,355)
	<u>89,400</u>	
4,575	(47,243)	(13,024)
253,608	85,899	864,487
<u>\$ 258,183</u>	<u>\$ 38,656</u>	<u>\$ 851,463</u>

The accompanying notes are an integral part of the financial statements.

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CARLISLE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

CARLISLE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds	\$	(13,024)
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay		573,215
Depreciation Expense		(95,945)
		(95,945)

Change in Net Assets of Governmental Activities	\$	464,246
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TO THE FINANCIAL STATEMENTS**

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CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements utilizing a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Carlisle County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that may be legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. There are no discretely presented component units.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government, and the county is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

Carlisle County Industrial Development Authority

The county has included the Industrial Development Authority as part of its reporting entity because the primary government appoints a voting majority of the governing board and can impose its will to significantly influence the activities of the authority. The financial statements of the Industrial Development Authority are blended with those of the county.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Carlisle County Elected Officials Not Part of Carlisle County, Kentucky

Kentucky law provides for election of the officials below from the geographic area constituting Carlisle County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Carlisle County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The government-wide statements are reported using the economic resources measurement focus and the modified cash basis of accounting. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function 2) operating grants and contributions, and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary funds) and whose total assets, liabilities, revenues, and expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as a major fund.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Ambulance Fund - The purpose of this fund is to account for funds received and expended in the operation of the ambulance services provided by the county.

Industrial Development Fund - The purpose of this fund is to account for industrial development activities within the county.

The government also has the following non-major funds: Jail Fund, Local Government Economic Assistance Fund, Disaster and Emergency Services Fund, Emergency 911 Fund, and Federal Housing Fund.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Special Revenue Funds:

The Road Fund, Ambulance Fund, Jail Fund, Local Government Economic Assistance Fund, Disaster and Emergency Services Fund, Emergency 911 Fund, and the Industrial Development Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Federal Housing Fund is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1; levied (mailed) November 1; due at discount November 30; due at face-value December 31; delinquent January 1 following the assessment; and subject to lien and sale the 3d Saturday in April following the delinquency date.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	10-60
Buildings and Building Improvements	\$ 5,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 5,000	10-50

G. Long-term Obligations

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations is reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Industrial Development Authority.

J. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following is considered a related organization of Carlisle County: Carlisle County Extension Service.

Note 2. Deposits

The government unit maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2004, the primary government's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the county's agent in the county's name.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 62,540	\$ 18,375	\$	\$ 80,915
Total Capital Assets Not Being Depreciated	\$ 62,540	\$ 18,375	\$ 0	\$ 80,915
Capital Assets, Being Depreciated:				
Buildings	\$ 1,100,506	\$ 15,094	\$	\$ 1,115,600
Vehicles and Equipment	917,594	112,244		1,029,838
Infrastructure		427,502		427,502
Total Capital Assets Being Depreciated	\$ 2,018,100	\$ 554,840	\$ 0	\$ 2,572,940
Less Accumulated Depreciation For:				
Buildings	\$ (225,965)	\$ (14,502)	\$	\$ (240,467)
Vehicles and Equipment	(415,942)	(59,861)		(475,803)
Infrastructure		(21,582)		(21,582)
Total Accumulated Depreciation	\$ (641,907)	\$ (95,945)	\$ 0	\$ (737,852)
Total Capital Assets, Being Depreciated, Net	\$ 1,376,193	\$ 458,895	\$	\$ 1,835,088
Governmental Activities Capital Assets, Net	\$ 1,438,733	\$ 477,270	\$ 0	\$ 1,916,003

Depreciation expense was charged to functions of the government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 8,825
Protection to Persons and Property	40,698
Recreation and Culture	2,051
Roads, Including Depreciation of General Infrastructure Assets	44,371
Total Depreciation Expense - Governmental Activities	<u>\$ 95,945</u>

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Short-term Debt

A. General Fund

During fiscal year ended June 30, 2004, Carlisle County voted to participate in the Kentucky Association of Counties Advance Revenue Program (KARP) for the purchase of tax and revenue anticipation notes for the 2003-2004 fiscal year. As a result, \$46,300 was invested on behalf of the Carlisle County General Fund with interest earnings of \$309 and interest expense of \$296. As of June 30, 2004, all principal and interest amounts associated with the notes had been paid.

B. Road Fund

During fiscal year ended June 30, 2004, Carlisle County voted to participate in the Kentucky Association of Counties Advance Revenue Program (KARP) for the purchase of tax and revenue anticipation notes for the 2003-2004 fiscal year. As a result, \$99,900 was invested on behalf of the Carlisle County Road Fund with interest earnings of \$667 and interest expense of \$638. As of June 30, 2004, all principal and interest amounts associated with the notes had been paid.

Note 5. Long-term Debt

On May 9, 1996, the Industrial Development Authority entered into a land contract with Jack and Mary Boswell, for \$50,000, to purchase land for economic development. An initial payment of \$5,000 was paid on May 9, 1996; the remaining balance of \$45,000 was set up in a promissory note where a principal payment of \$5,000 plus interest of \$2,204 was to be paid every April for 9 years. However, no payment was made during fiscal year ending June 30, 2004. As of June 30, 2004, the outstanding principal balance was \$10,000. Future principal and interest payments are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 10,000	\$ 4,408
Totals	\$ 10,000	\$ 4,408

Changes In Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Financing Obligations	\$ 10,000	\$	\$	\$ 10,000	\$ 10,000
Governmental Activities Long-term Liabilities	\$ 10,000	\$ 0	\$ 0	\$ 10,000	\$ 10,000

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 6. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer deferred benefit pension plan, which covers all eligible full-time employees and provides for retirement disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at 502-564-4646.

Note 7. Deferred Compensation

For the fiscal year ended June 30, 2004, Carlisle County voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report.

Note 8. Insurance

For the fiscal year ended June 30, 2004, Carlisle County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Changes in Accounting Principles

The county has implemented Governmental Accounting Standards Board (GASB) Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements. The effect of this change on the beginning net assets of the government is an increase of \$1,428,733, due to capital assets previously not reported.

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CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004

CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 202,300	\$ 218,890	\$ 233,767	\$ 14,877
In Lieu Tax Payments	9,500	14,227	14,227	
Excess Fees		5,590	5,590	
Licenses and Permits	1,700	1,700	1,665	(35)
Intergovernmental Revenue	63,470	64,100	67,551	3,451
Miscellaneous	200	8,451	10,068	1,617
Interest	500	500	769	269
Total Revenues	<u>\$ 277,670</u>	<u>\$ 313,458</u>	<u>\$ 333,637</u>	<u>\$ 20,179</u>
EXPENDITURES				
General Government	\$ 312,900	\$ 362,719	\$ 348,683	\$ 14,036
Protection to Persons and Property	1,257	1,257	588	669
General Health and Sanitation	1,020			
Social Services	263	263		263
Recreation and Culture	2,250	2,250	1,531	719
Debt Service			296	(296)
Administration	104,435	87,524	86,715	809
Total Expenditures	<u>\$ 422,125</u>	<u>\$ 454,013</u>	<u>\$ 437,813</u>	<u>\$ 16,200</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (144,455)</u>	<u>\$ (140,555)</u>	<u>\$ (104,176)</u>	<u>\$ 36,379</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	\$ 193,955	\$ 193,955	\$ 193,955	\$
Transfers To Other Funds	(64,500)	(64,500)	(69,400)	(4,900)
Total Other Financing Sources (Uses)	<u>\$ 129,455</u>	<u>\$ 129,455</u>	<u>\$ 124,555</u>	<u>\$ (4,900)</u>
Net Changes in Fund Balance	\$ (15,000)	\$ (11,100)	\$ 20,379	\$ 31,479
Fund Balance - Beginning	<u>15,000</u>	<u>15,000</u>	<u>39,434</u>	<u>24,434</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 3,900</u>	<u>\$ 59,813</u>	<u>\$ 55,913</u>

CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004 (Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 100	\$ 100	\$ 40	\$ (60)
Intergovernmental Revenue	901,955	1,255,115	1,114,125	(140,990)
Miscellaneous	64,300	82,520	23,701	(58,819)
Interest	13,000	13,000	8,262	(4,738)
Total Revenues	<u>\$ 979,355</u>	<u>\$ 1,350,735</u>	<u>\$ 1,146,128</u>	<u>\$ (204,607)</u>
EXPENDITURES				
General Government	\$ 10,800	\$ 10,800	\$ 10,800	\$
Roads	738,664	810,053	621,312	188,741
Debt Service			638	(638)
Capital Projects	80,000	292,000	252,000	40,000
Administration	330,936	418,927	50,161	368,766
Total Expenditures	<u>\$ 1,160,400</u>	<u>\$ 1,531,780</u>	<u>\$ 934,911</u>	<u>\$ 596,869</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (181,045)</u>	<u>\$ (181,045)</u>	<u>\$ 211,217</u>	<u>\$ 392,262</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	<u>\$ (193,955)</u>	<u>\$ (193,955)</u>	<u>\$ (203,955)</u>	<u>\$ (10,000)</u>
Total Other Financing Sources (Uses)	<u>\$ (193,955)</u>	<u>\$ (193,955)</u>	<u>\$ (203,955)</u>	<u>\$ (10,000)</u>
Net Changes in Fund Balance	\$ (375,000)	\$ (375,000)	\$ 7,262	\$ 382,262
Fund Balance - Beginning	<u>375,000</u>	<u>375,000</u>	<u>328,140</u>	<u>(46,860)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 335,402</u>	<u>\$ 335,402</u>

CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004 (Continued)

AMBULANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 77,600	\$ 89,150	\$ 99,034	\$ 9,884
Intergovernmental Revenue	5,000	5,000	11,133	6,133
Charges for Services	52,950	76,663	113,383	36,720
Miscellaneous	500	7,140	7,240	100
Interest	3,200	3,200	3,167	(33)
Total Revenues	<u>\$ 139,250</u>	<u>\$ 181,153</u>	<u>\$ 233,957</u>	<u>\$ 52,804</u>
EXPENDITURES				
Protection to Persons and Property	\$ 159,469	\$ 254,065	\$ 216,660	\$ 37,405
Administration	79,781	27,088	5,294	21,794
Total Expenditures	<u>\$ 239,250</u>	<u>\$ 281,153</u>	<u>\$ 221,954</u>	<u>\$ 59,199</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	<u>\$ 12,003</u>	<u>\$ 112,003</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	\$	\$	\$	\$
Transfers To Other Funds			(10,000)	(10,000)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>
Net Changes in Fund Balances	\$ (100,000)	\$ (100,000)	\$ 2,003	\$ 102,003
Fund Balances - Beginning	<u>100,000</u>	<u>100,000</u>	<u>157,406</u>	<u>57,406</u>
Fund Balances - Ending	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 159,409</u></u>	<u><u>\$ 159,409</u></u>

CARLISLE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2004

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Industrial Development Authority.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

CARLISLE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2004

CARLISLE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2004

	Jail Fund	LGEA Fund	DES Fund	Emergency 911 Fund	Total Non-Major Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,302	\$ 476	\$ 23,570	\$ 13,308	\$ 38,656
Total Assets	<u>\$ 1,302</u>	<u>\$ 476</u>	<u>\$ 23,570</u>	<u>\$ 13,308</u>	<u>\$ 38,656</u>
FUND BALANCES					
Unreserved:					
Special Revenue Fund Types	\$ 1,302	\$ 476	\$ 23,570	\$ 13,308	\$ 38,656
Total Fund Balances	<u>\$ 1,302</u>	<u>\$ 476</u>	<u>\$ 23,570</u>	<u>\$ 13,308</u>	<u>\$ 38,656</u>

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CARLISLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2004

CARLISLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2004

	Jail Fund	LGEA Fund	DES Fund	Emergency 911 Fund
REVENUES				
Taxes	\$	\$	\$	\$ 86,239
Intergovernmental	58,309	2,668	37,312	
Miscellaneous			6,608	
Interest	33			71
Total Revenues	<u>\$ 58,342</u>	<u>\$ 2,668</u>	<u>\$ 43,920</u>	<u>\$ 86,310</u>
EXPENDITURES				
General Government	\$	\$ 4,260	\$	\$
Protection to Persons and Property	110,135		30,806	93,046
General Health and Sanitation		1,713		
Recreation and Culture		3,280		
Capital Projects				
Administration	3,403		2,923	10,783
Total Expenditures	<u>\$ 113,538</u>	<u>\$ 9,253</u>	<u>\$ 33,729</u>	<u>\$ 103,829</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (55,196)</u>	<u>\$ (6,585)</u>	<u>\$ 10,191</u>	<u>\$ (17,519)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	\$ 51,500	\$ 6,200	\$ 11,700	\$ 20,000
Total Other Financing Sources (Uses)	<u>\$ 51,500</u>	<u>\$ 6,200</u>	<u>\$ 11,700</u>	<u>\$ 20,000</u>
Net Change in Fund Balances	\$ (3,696)	\$ (385)	\$ 21,891	\$ 2,481
Fund Balances - Beginning	4,998	861	1,679	10,827
Fund Balances - Ending	<u><u>\$ 1,302</u></u>	<u><u>\$ 476</u></u>	<u><u>\$ 23,570</u></u>	<u><u>\$ 13,308</u></u>

CARLISLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2004

Federal Housing Fund	Non-Major Governmental Funds
\$	\$ 86,239
29,738	128,027
	6,608
	104
<u>\$ 29,738</u>	<u>\$ 220,978</u>
\$	\$ 4,260
	233,987
	1,713
	3,280
97,272	97,272
	17,109
<u>\$ 97,272</u>	<u>\$ 357,621</u>
<u>\$ (67,534)</u>	<u>\$ (136,643)</u>
\$	\$ 89,400
<u>\$ 0</u>	<u>\$ 89,400</u>
\$ (67,534)	\$ (47,243)
67,534	85,899
<u>\$ 0</u>	<u>\$ 38,656</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John Roberts, Carlisle County Judge/Executive
Members of the Carlisle County Fiscal Court

**Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carlisle County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated December 6, 2004. Carlisle County prepares its financial statements in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carlisle County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Carlisle County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
December 6, 2004

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

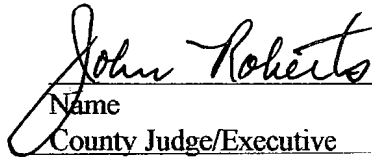
CARLISLE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2004**

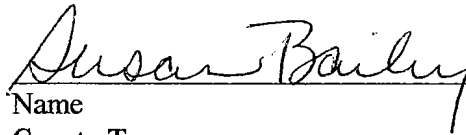
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CARLISLE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2004

The Carlisle County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer

